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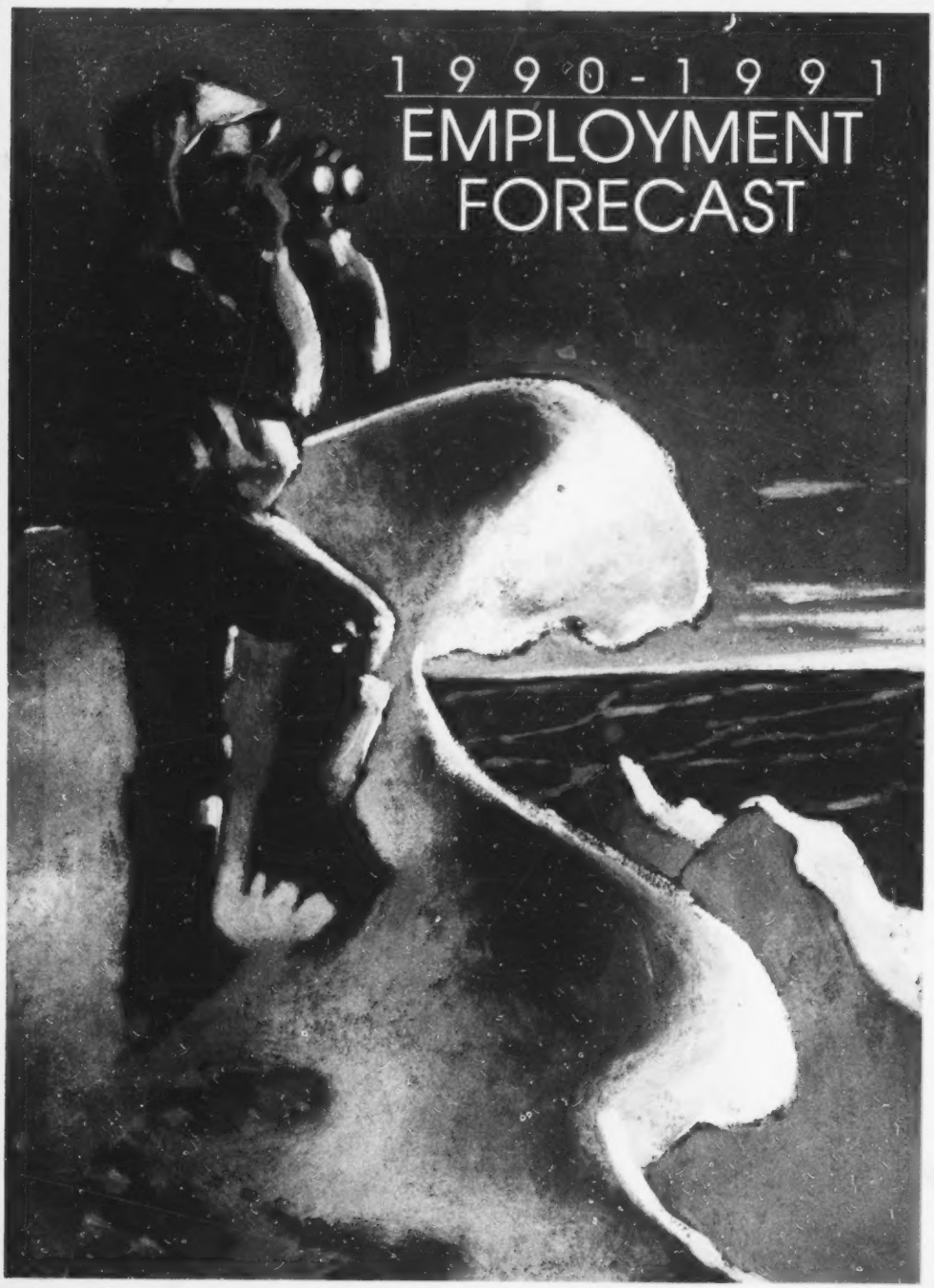
ALASKA ECONOMIC TRENDS



May 1990

Forecasts Through 1991:

- Statewide Economy Will Grow
- Anchorage Economy Good Through '91
- Fairbanks Begins '90s With Moderate Growth
- Southeast to Maintain Steady Growth
- February Posts Continued Growth

ALASKA DEPARTMENT OF LABOR STEVE COWPER, GOVERNOR

ALASKA ECONOMIC
TRENDS

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Alaska Economic Trends is a monthly publication dealing with economic-related issues of Alaska. Opinions and analyses expressed by guest authors may not be consistent with those of the Alaska Department of Labor.

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1990 CENSUS

ALASKANS COUNT

Cover design by Jim Fowler

MADE in ALASKA

Alaskan Economy Will Continue To Grow

by John Boucher

In 1989, Alaska posted a 6.4% rate of employment growth and the lowest unemployment rate ever recorded. A recovering economy and an enormous amount of economic activity generated by the oil spill cleanup contributed to the economy's banner year. To put last year in perspective, it showed the largest annual increase in employment since 1982, the height of Alaska's most recent boom period. (See Figure 1.)

With 1989 behind us, questions arise about Alaska's economy "after the spill". Will the momentum built in 1989 serve as a springboard to continued growth? Or, was 1989 a postponement of continued Alaskan economic woes?

Forecast Calls For Continued But Slower Growth

Alaska's employment will continue to register growth during the next two years — not at the frenzied pace of 1989, but at a respectable average of slightly over 2.0% for the next two years. Growth will be stunted in 1990 because oil spill workers had a dramatic effect on total employment counts in 1989, and 1990 won't have the benefit of as many spill cleanup workers. Growth will accelerate in 1991, after the effect of the oil spill workers has worked its way out of the employment picture. (See Table 1 and Figure 1.)

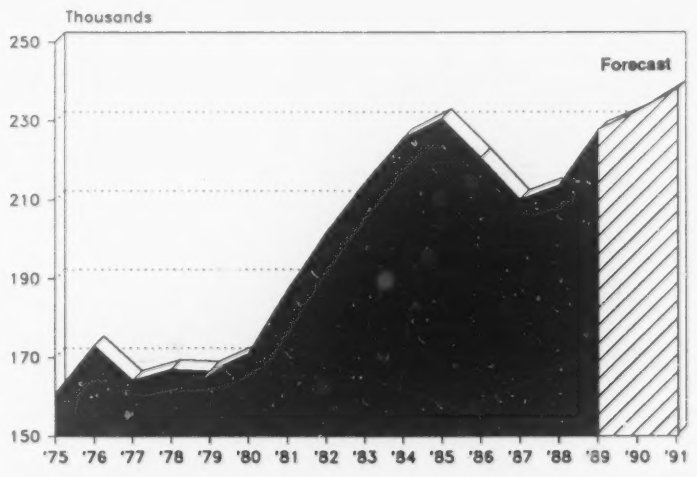
Mining Industry A Growth Leader

Mining was one of Alaska's fastest growing industries in 1989 and this industry should continue to post respectable growth during the next two years. Nine of ten wage and salary employment jobs in Alaska's mining industry are in the oil and gas industry — so the future is tied predominantly to the fortunes of the oil industry. The good news is that oil prices appear to have stabilized in the $18-20 per barrel range for the immediate horizon, and many long-term forecasts predict steadily increasing prices.

Largely because of oil price increases and a better long-term outlook, healthy growth in the oil field services sector of the industry was posted in 1989. Oil field services, which is exploration and development oriented, has been sensitive to oil price fluctuations in the past. It is this portion of Alaska's

Figure 1

Alaska Annual Average Nonag. Wage and Salary Employment 1975-1991



Source: Alaska Department of Labor, Research and Analysis Section

Table 1

Alaska
Nonag. Wage & Salary Employment Forecast
1990-1991

	1988 Annual Average	1989 Annual Average	Percent Change 1988-1989	1990 Annual Average	Percent Change 1989-1990	1991 Annual Average	Percent Change 1990-1991
Nonag. Wage & Salary	213,700	227,300	6.4%	231,325	1.8%	236,850	2.4%
Goods-producing	33,500	35,900	7.2	37,850	5.4	39,200	3.6
Mining	9,600	10,100	5.2	10,950	8.4	11,550	5.5
Construction	9,000	9,800	8.9	10,550	7.7	11,075	5.0
Manufacturing	15,000	16,000	6.7	16,350	2.2	16,575	1.5
Seafood Processing	7,900	8,600	8.9	8,775	2.0	8,925	1.7
Lumber & Wood Products	2,700	2,900	7.4	3,025	4.3	3,025	0.0
Service-producing	180,200	191,400	6.2	193,475	1.1	197,650	2.2
Transportation	17,400	20,700	19.0	18,500	-10.6	18,850	1.9
Trade	42,000	44,200	5.2	45,475	2.9	46,950	3.2
Wholesale Trade	7,500	7,900	5.3	8,150	3.2	8,300	1.8
Retail Trade	34,500	36,300	5.2	37,325	2.8	38,650	3.5
Finance-Ins. & Real Estate	10,700	10,500	-1.9	10,550	0.5	10,700	1.4
Services & Misc.	43,600	47,100	8.0	48,750	3.5	50,450	3.5
Government	66,500	68,900	3.6	70,200	1.9	71,325	1.6
Federal	17,900	18,400	2.8	18,600	1.1	18,400	-1.1
State	19,400	20,700	6.7	21,350	3.1	21,575	1.1
Local	29,200	29,800	2.1	30,250	1.5	30,725	1.6

Totals may not add due to rounding.

Source: Alaska Department of Labor, Research & Analysis Section.

oil industry that is expected to provide continued growth during the next two years. The most significant project is the construction and development of a gas handling facility on the North Slope. The gas handling facility indicates a willingness of Alaska's oil producers to continue investing in Alaska's North Slope, given the current price outlook. Provided oil prices stay in their current range, the climate for investment and additional employment on the North Slope is good. One factor in favor of additional employment on the North Slope is that oil fields generally are more labor intensive after they reach peak production.

One question mark for the oil industry is the fate of the Drift River oil field terminal and the 15 offshore platforms it services in Cook Inlet. Flooding at the terminal caused by Mt. Redoubt's volcanic eruptions has intermittently shut down the facility. At this writing mandated improvements to the terminal are expected to take two months. This forecast assumes that the 550 jobs related to west Cook Inlet production will not be permanently affected by problems associated with the Drift River terminal site. If this proves erroneous, most of the projected oil industry growth would be wiped out.

Even if the Drift River terminal situation slows oil industry growth, hard rock mining will provide mining employment growth during the next two years. The Red Dog mine in the Northwest Arctic Borough will be operational for the full year, adding to mining's 1990 employment numbers. While no other high profile project is expected to come into full production in the forecast horizon, exploration and development activity will boost mining employment. Chief among the numerous contributing projects are the Kensington and AJ mines in Southeast Alaska. One potential drag on hard rock mining employment would be continued suspension of operations at the largest producing placer mine in the state. Should the Valdez Creek mine not reopen, this would slow growth, but the addition of Red Dog should more than offset employment losses at Valdez Creek.

Southeast, Big Projects Will Bolster Construction Industry

Construction employment is expected to grow during 1990-91. Southeast Alaska, particularly Juneau, is poised to begin several construction projects in 1990 and 1991. Juneau has one office breaking ground and another in the pipeline. In addition, a middle school and construction at area mines will boost commercial construction activity. On the residential side a 48-unit complex is in the planning stages. Projects in Ketchikan and Haines will also help propel Southeast Alaska construction employment.

Elsewhere in the state, large projects will continue to buoy the industry. Repair work on the Trans-Alaska pipeline will make a significant contribution to construction employment as will the gas handling facility on the North Slope. Southwest Alaska will have significant construction projects related to the bottomfish industry expansion and military construction. Public construction in both Fairbanks and Anchorage look to be as strong as last

year, with road projects and school additions helping to bolster the industry. Military construction could place a damper on industry growth if the moratorium on construction contracts is not lifted as expected. Other big projects will finish during the forecast period, chief among those being the Bradley Lake hydroelectric dam.

Timber & Bottomfish Slowdowns Will Curb Manufacturing's Growth

Employment growth in the manufacturing industry during the last several years has been due to two factors: a growing timber industry and an expanding seafood processing industry. Timber industry employment growth was driven by a seemingly insatiable Japanese appetite for unprocessed timber, logging of Native corporation timber stands, and general improvements in the world market for forest and pulp products. Seafood processing employment increased because of the bottomfish boom in Southwest Alaska. Salmon-related processing employment has also contributed at times, but the big increases have been due to bottomfish expansion.

The timber and seafood processing components of the manufacturing industry have similar outlooks for the next two years — a slowing rate of growth. On the timber side, logging employment is expected to stay at 1989's level for 1990 and 1991. Southeast Alaska has been the primary area of timber industry activity in the state. But during the next two years the industry will continue expanding elsewhere in the state while Southeast falls back slightly. Just outside the forecast horizon are two significant events which will determine the future of the timber industry. First is the probability that most of Southeast Alaska's privately owned timber (i.e. those stands owned by Native corporations) will be harvested and that logging employment may fall dramatically when that occurs. The second is the likelihood that Tongass timber reform legislation will be implemented. The implementation of Tongass legislation will finally remove the uncertainty surrounding Southeast Alaska's timber industry.

On the seafood processing side, continued growth is expected in Alaska's bottomfish sector, but not at the torrid pace of the last several years. New processing plants are expected to come on-line in Southwest Alaska during the next two years and they will add to employment. There are signs that the bottomfish resource is being stretched thinly for some species. Fisheries which were open on a long-term basis are reaching catch quotas in a fraction of the time that it used to take. The result is plants that are very active for short periods of time, followed by periods of inactivity.

That portion of the manufacturing industry unrelated to timber and fish is dominated by newspapers, and printing and publishing firms. This portion of the industry should see some growth during the next two years. New investment in the Anchorage Times will probably bring some employment growth, but most of the growth will come from the addition of small manufacturing firms.

Reduced Oil Spill Work Force Will Affect Transportation Industry

Employment in the transportation industry is expected to fall dramatically in 1990 because of a reduction in the number of oil spill workers deployed in 1990 versus 1989. A continued oil spill cleanup effort will take place, but it won't require as many employees in 1990 as it did in 1989. Besides oil spill workers, the water transportation sector is expected to slide to lower levels. Prior to the spill, waterborne transportation employment was in a protracted slide. The spill cleanup turned this industry around. With spill cleanup activity taking a smaller role, water transportation will fall back during the next two years.

Other sectors of the transportation industry, particularly air transportation, will continue to flourish. Federal Express is expected to continue expanding, and there is a possibility that another air freight company will locate in Alaska during the next two years. The loss of international passenger traffic will hurt the industry somewhat, but if the freight industry continues developing, employment losses in air transportation will be more than offset.

Tourism-related transportation employment, which is dominated by bus services and other ground transit, should continue to contribute growth during the next two years. Just about every region of the state is adding attractions and destinations. Early bookings indicate that 1990 is going to be another strong year for Alaska's tourist industry.

In the utilities and communications portions of the industry, a reverse in population declines throughout the state has alleviated the pressure on these firms to downsize. Some slight to moderate growth as population increases and industry expansion create new needs for communications and utilities is expected.

Trade and Services Will Feel An Income Pinch

Services and trade are two sectors of the economy dependent upon the income of the general population. During 1989 the oil spill pumped a tremendous amount of income into Alaska's economy, and growth in trade and services employment somewhat reflected the increased income available to Alaska's workforce. While the economic climate of the state has changed, there is no reason to expect income growth during the next two years to be anywhere near the levels of 1989. It is this expectation that points to slower services and trade employment growth.

However, that's not to say that these two industries won't post some growth. Services, for example, had established a healthy rate of growth prior to the spill and it will continue growing after a slight downward correction. The tourism industry is partially responsible for this growth, but a generally healthy Alaskan economy is also an important factor. On the trade side, there will be continued growth in eating and drinking establishments, food stores and general merchandise store. However, growth will slow down as disposable income growth returns to normal.

Finance Sector Poised For Growth

Alaska's banking sector, the only industry whose employment levels continued to shrink during 1989, is now consolidated and poised for growth. Profits posted by the remaining institutions are likely to produce cautious expansion. In addition to a revived financial sector, the real estate market is experiencing a revival. Some sectors of the finance-insurance and real estate industry, in particular Native corporations, contributed some slow growth even during the darkest days of the recession. Combined with a strengthened banking industry, this makes the overall outlook for the next two years one of slow employment growth.

Feds to Grow in '90, Fall Back in '91.

Federal government employment will grow in 1990 largely on the strength of temporary employees hired for the 1990 Census. After the conclusion of the Census, federal government will return to normal levels and resume its historical pattern of little or no employment change.

Stabilized Revenue Picture Will Fuel Some State Growth

State government will continue to grow throughout the forecast period. Termination of the temporary positions brought on to handle oil spill work will probably contribute to a small decrease, but the underlying trend during the last two years has been toward more state government jobs. At this writing, there is less urgency among policy makers to cut into state government employment than at any time during the last four years. While the state's fiscal picture could change dramatically with oil price fluctuations or output reduction, most revenue scenarios point to stable state income capable of supporting the current level of state services throughout the forecast period.

Local School Districts Will Add Some Employment

Local government employment is expected to grow for two reasons. Most importantly, some Alaskan communities are experiencing a crunch in available school facilities. Several local governments are expanding their school capacities, and while these increases will be minimal, together they point to more education-related employment at the local government level.

Second, many local governments' revenue pictures have stabilized or improved. In 1990, local governments should receive an amount of state revenue sharing equal to what they received in 1989. And property valuations around the state are stabilizing and in some areas rising. While inflationary effects will erode the local areas' budgets somewhat, most local governments should be able to hold employment at or near 1989 levels for the next two years. Some areas may even be able to afford an increased level of services.

Summary: Alaska Will Continue Growing After A Course Correction

The outlook for the next two years in Alaska's economy is for continued, but slower, employment growth. The after-effects of the oil spill will curb employment growth in 1990, primarily because of employment slowdowns in the transportation, services and trade industries. Despite these setbacks, overall employment will remain on a growth path because of a strengthening mining industry, a growing air transportation sector, increasing tourism, continuing strength in Alaska's seafood and timber industries, and slowly growing employment in the government and finance sectors.

About the author:

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Anchorage's Economy Looks Good For Another Two Years

by Neal Fried

Anchorage's 1989 economy came on far stronger than most forecasters had predicted, partly because no one could have foreseen the oil spill. The growth that is forecast for the next two years of 3.0% and 2.4% is more modest than 1989's 4.5%. This is because oil spill activity in 1990 will be only a fraction of last year's efforts. It is also important to remember that Anchorage's economy would have expanded as much as 3% in 1989 without any help from the oil spill. It is this undercurrent of growth that will keep Anchorage's economy moving ahead during the next two years. (See Figure 1.)

Oil Industry Employment Keeps Growing

Oil industry employment in Anchorage grew 5.6% in 1989 and is expected to continue to expand at 4% a year during the next two years. Higher oil prices, development activity, and the need for maintenance will keep employment numbers growing in this industry.

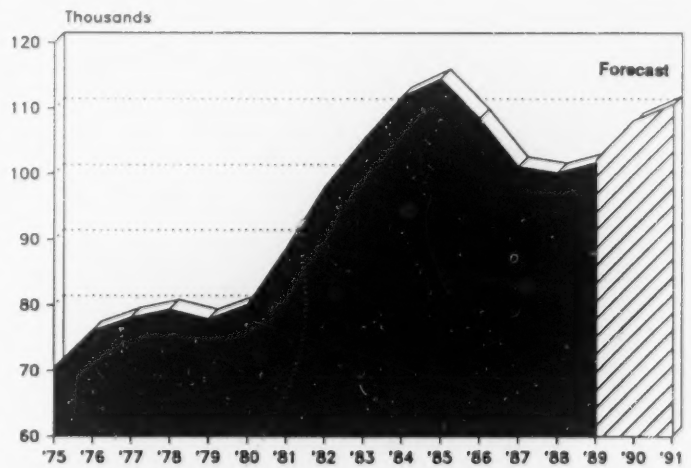
One of the big projects keeping the North Slope active will be the construction of the $450 million gas handling facility (known as GHX-1). A peak work force of 1,200 will be employed on this project alone. There will also be stepped-up activity on well workovers and pipeline replacement on the North Slope.

Another employment plus on the oil front is Alyeska Pipeline Service Company's expansion which began in 1989 and will continue through 1990. Their expansion is in response to oil spill activity and the reconstruction of sections of the Trans-Alaska pipeline. As many as 250-300 new employees could be on board by the end of 1990. Not all of the new employees will be based in Anchorage, but a significant number of them will. Although this is oil-related activity, Alyeska employment is counted in our transportation figures. Most of the reconstruction activity will be subcontracted and therefore counted in the construction sector.

Although the volume of North Slope oil fell 7.5% in 1989, and will continue to decline, it is taking an increasing

Figure 1

Municipality of Anchorage Annual Average Nonag. Wage and Salary Employment 1975-1991



Source: Alaska Department of Labor, Research and Analysis Section

Table 1

Municipality of Anchorage
Nonag. Wage & Salary Employment Forecast
1990-1991

	1988 Annual Average	1989 Annual Average	Percent Change 1988-1989	1990 Annual Average	Percent Change 1989-1990	1991 Annual Average	Percent Change 1990-1991
Total Nonag. Wage & Salary	100,200	104,750	4.5%	107,900	3.0%	110,450	2.4%
Goods-producing	9,800	10,450	6.6	11,050	5.7	11,450	3.6
Mining	3,300	3,550	7.6	3,800	7.0	3,950	3.9
Construction	4,350	4,800	10.3	5,100	6.3	5,300	3.9
Manufacturing	2,150	2,150	0.0	2,150	0.0	2,200	2.3
Service-producing	90,400	94,300	4.3	96,850	2.7	99,000	2.2
Transportation	9,250	10,000	8.1	10,400	4.0	10,500	1.0
Trade	24,150	25,300	4.8	26,150	3.4	26,900	2.9
Wholesale Trade	5,600	5,900	5.4	6,050	2.5	6,150	1.7
Retail Trade	18,550	19,400	4.6	20,100	3.6	20,750	3.2
Finance-Ins. & Real Estate	7,100	6,800	-4.2	6,800	0.0	6,950	2.2
Services & Misc.	24,450	26,450	8.2	27,250	3.0	28,200	3.5
Government	25,500	25,800	1.2	26,250	1.7	26,450	0.8
Federal	10,250	10,150	-1.0	10,200	0.5	10,150	-0.5
State	6,850	7,250	5.8	7,550	4.1	7,600	0.7
Local	8,400	8,400	0.0	8,500	1.2	8,700	2.4

Totals may not add due to rounding.

Source: Alaska Department of Labor, Research & Analysis Section

amount of labor to squeeze less oil out of the ground. This is good news for Anchorage's petroleum industry employment.

Construction Outlook a Mixed Bag

The construction picture in Anchorage[1]/ for the next two years is one of modest growth. (See Table 1.) On the private side, no large projects are expected to get underway during the next two years. Residential and commercial renovations will probably dominate private sector activity. There may also be an upturn in single family construction. Some expect the number of single family building permits to increase from 200 in 1989 to 250 to 300 in 1990. This is because there has been a rapid absorption of better grade, single family homes during the past two years.

One sizable private sector project that might get underway is the expansion of the Alyeska Resort. This depends on whether the legislature appropriates funds for infrastructure development. If funds necessary for the development become available, $6 million worth of work on utilities, roads, and parking lots will begin at Alyeska this year. Construction of the new $30-35 million hotel would commence in 1991.

Publicly-Financed Construction Will Dominate The Scene

Most of Anchorage's construction activity will be in the public sector. Highway construction should be a bit busier during the next two years than in the recent past. Work on the $22.5 million Eagle River Loop-to-Hiland Road exchange, the $10.8 million Raspberry Road extension and several smaller road projects should boost highway construction. Work could also begin in 1991 on the $40+ million expansion and widening to four lanes of the Glenn Highway from Eklutna to the Parks Highway.

The Anchorage School district will provide some construction activity as a result of the $50 million school bond issue passed last year. A new elementary school and high school (Save II) will be built, along with expansions and renovations in more than seven other schools. Military-related construction remains a question mark because of a freeze imposed by the Pentagon on any new contracts. If the freeze is lifted, military construction is expected to grow slightly in 1990. Some of the larger projects include a $5 million National Guard Aviation Center and a $3.3 million Operation Center on Elmendorf. If the freeze is not lifted, military construction in Anchorage will be minimal.

Air Transportation Is Anchorage's Dynamic Sector

There are strong crosswinds in Anchorage's air transportation sector. On one hand, Federal Express created more than 250 new jobs by late 1989 at their new package-handling operations. On the other hand, a growing number of international passenger carriers are bypassing Anchorage altogether. New long-range jets and glasnost have made this possible. This bad news for Anchorage, however, should be outweighed by expected expansion of Federal Express and increased air cargo traffic by other carriers. This could include UPS's bid to use Anchorage as their hub for the new air cargo route to

Japan. The U.S. Department of Transportation will award the route later this year.

There will be fallout, however, as a result of Anchorage losing some international passenger traffic. Most of it will be in retail trade and services. Employers such as Duty Free Shoppers and airport caterers, for example, will take the biggest hits. Duty Free Shoppers alone employs more than 200 people.

Although most Anchorage residents don't pay much attention to the international activity at their airport, its potential for further development is enormous. However, there is nothing certain about its future because of rapid changes in technology, international economics and politics.

Tourism Outlook: Hotels Will Be Crowded

Barring unforeseen surprises, Anchorage can expect to enjoy another strong tourist season. There was some worry the oil spill might put a damper on tourism in 1990, and some concern that the events taking place in Europe may lure away some of Alaska's potential visitors. In spite of these concerns, there is no evidence they are having a major effect. Actually, most of the major tour operators are reporting strong bookings. Most hotels are already full for July and August. And if the industry were to be judged by their future plans there is a tremendous amount of confidence.

Some of these plans include the expansion of the Alyeska Resort, a new hotel in Denali State Park, additional cruise ships, the Native Heritage Park, and the development of Ship Creek. A big stumbling block for any major expansion in Anchorage is the short visitor season. Hotels are fully booked for three or four months out of the year, but it is hard to justify building a hotel that remains largely empty during most of the year.

The Retail Trade And Service Boom Will Cool Down in 1990 and 1991

The service industry, Anchorage's largest, added 2,000 new jobs in 1989, an 8.8% growth rate. Trade followed closely behind with 1,150 new jobs or 4.8% growth. This phenomenal growth was fueled by a growing confidence and improvement in the local economy, and oil spill activity. Oil spill activity helped fill the hotels early. Also, many supplies and needed services were purchased from Anchorage businesses. A repeat of this performance is not expected in 1990 and 1991, although employment is projected to grow. Both continued confidence and improvement in the Anchorage economy will keep services and trade expanding, but at a far slower rate.

Finance-Insurance and Real Estate: The Last Industry To Recover

This industry was on the front lines of the 1986-1988 oil bust and real estate collapse. Since 1986 eight Anchorage-based financial institutions were forced to close their doors; the last two in January of this year.

No additional financial institutions are expected to close their doors during the forecast period. Real estate values have hit bottom and in some cases have begun to climb again. Real estate activity has increased quite dramatically. Vacancy rates in commercial and residential space are falling. Bids above asking price on the residential side are now commonplace, for the first time in four years. Anchorage registered its first population increase since the recession in 1989; the municipal demographer is predicting a larger increase in 1990. Although it will be years before much of the bad debt is absorbed and all the wounds are healed, the worst appears to be behind for this industry. This forecast projects small job increases over the next two years for the finance-insurance and real estate industry.

Employment in State and Local Government Looks Healthy

For the first time in four years a state revenue crisis is not looming over the state and local government sectors. Strong oil prices will allow state government employment to continue to grow through 1991, although at a slower pace than 1989.

Local government is also expected to grow for the first time in five years. Employment at the Municipality of Anchorage is expected to remain stable after four years of decline. The Anchorage School District's 1990-1991 budget is projected to grow approximately 6.6% which will allow for over 100 new positions.

A Cloud Hangs Over The Federal Sector

The federal budget deficit, reductions required by the Gramm-Rudman Act, and cuts at the Pentagon are making employment in Anchorage's federal sector more uncertain. Currently, all military federal service employment is frozen, which means attrition is taking its toll. The freeze could be lifted relatively soon. If it is not, it would affect overall federal civilian employment levels, since the military accounts for half of these jobs.

On the uniformed military side, Anchorage is going to lose in 1990. In the spring approximately 400 soldiers will be moved from Ft. Richardson in Anchorage to Ft. Wainwright in Fairbanks. This transfer is not expected to affect the level of civilians on Ft. Richardson but it will mean fewer soldiers seeking housing and buying goods and services in Anchorage.

One event that will temporarily help bolster the federal sector during 1990 is the Census Bureau's effort to count our population. They will employ a peak temporary work force of 230 in Anchorage in 1990. A new Air National Guard unit that is being activated in Anchorage will also help. These additions should keep federal employment levels largely unchanged.

Anchorage's Job Market Will Be Above Average

A repeat performance of Anchorage's record low unemployment rates of 1989 is not expected because the oil spill clean-up work force will be smaller. However, job opportunities should remain better than average because the economy will continue to grow. There are signs the national labor market is beginning to soften, which could mean Anchorage's job market may become host to more job seekers from the lower 48 than it has in recent years. Therefore, the local labor market could become more competitive during the next two years.

Conclusion: Anchorage's Economy Solid For The Next Two Years

Strong oil prices, healthy oil revenues, a booked tourism season, and a boost from air transportation should keep Anchorage's economy in forward motion for the next two years. Although Anchorage's economy will not get the extra stimulus it secured from the oil spill, almost all of the basic industries are on solid ground. Even the much maligned finance-insurance and real estate industry is forecast to make some progress after many years of decline.

However, the freezes imposed by the Pentagon on construction and personnel, along with losses associated with international passenger traffic, remind us of the fragility of the economy. Before the 1986 recession, annual economic growth was almost an article of faith. This is no longer taken for granted. And it is for this reason that even modest growth in Anchorage's economy is welcome news.

Note:

1/ The lion's share of Alaska's construction contractors are headquartered in Anchorage, but their work takes place all over the state. While Alaska Department of Labor industry employment figures measure employment by place of work, this is problematic given the mobile nature of the construction industry. A significant amount of construction activity that takes place elsewhere in the state is counted in Anchorage, and therefore Anchorage construction employment figures are larger than what local construction activity would support. This is not a problem unique to Anchorage, or the construction industry. But it tends to affect those industries which relocate their worksites on a regular basis.

About the author:

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The '90s Begin With Moderate Growth

by Holly Stinson

The Fairbanks economy grew 3.9% in 1989; the first two years of the new decade should see continued growth. (See Figure 1.) While mining and manufacturing were the only industries to lose jobs in 1989, this forecast shows all industries either growing or holding their own in 1990. In 1991 only one industry — construction — is forecast to lose ground. (See Table 1.)

Cleanup Can't Take Credit for Growth in Fairbanks

Unlike Anchorage and the Gulf Coast communities, the oil spill cleanup had a minimal impact on Fairbanks. VECO, the cleanup contractor, spent about 1% ($3.8 million) of their total bill for materials and services in Fairbanks. Just about all of 1989's growth, then, can be attributed to factors other than a one-time boost from spill cleanup activity. And those same factors should keep the economy growing at a moderate 3% pace in 1990.

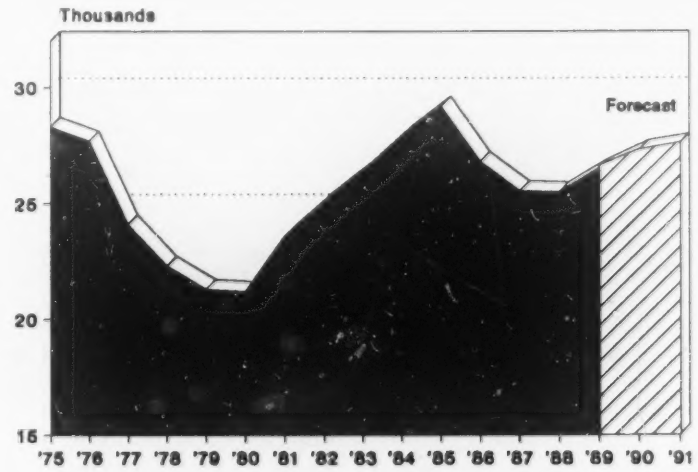
Military Bolsters Construction Employment

A big surprise in 1989 was the strength of Fairbanks' construction industry. Military construction was one factor keeping employment up — it is estimated that about 40% of construction jobs in Fairbanks last year were military-related. Military construction should decline in 1990 and then drop off sharply in 1991. This situation could worsen if the current moratorium on new construction awards is not lifted in April 1990 as expected. Assuming it is lifted, four recreational facilities are slated to be built or expanded during 1990 and completed by late 1991.

Another military project, the Air Force's backscatter radar, continues to experience delays. A Fairbanks firm may begin site work this year near Tok, but this project is not significant in terms of new construction jobs for 1990 or even 1991.

Figure 1

Fairbanks North Star Borough Annual Average Nonag. Wage and Salary Employment 1975-1991



Source: Alaska Department of Labor, Research and Analysis Section

Table 1

Fairbanks North Star Borough
Nonag. Wage & Salary Employment Forecast
1990-1991

	1988 Annual Average	1989 Annual Average	Percent Change 1988-1989	1990 Annual Average	Percent Change 1989-1990	1991 Annual Average	Percent Change 1990-1991
Total Nonag. Wage & Salary	25,500	26,500	3.9%	27,300	3.0%	27,600	1.1%
Goods-producing	2,250	2,300	2.2	2,400	4.3	2,175	-9.4
Mining	200	150	-25.0	175	16.7	200	14.3
Construction	1,450	1,600	10.3	1,675	4.7	1,400	-16.4
Manufacturing	600	550	-8.3	550	0.0	575	4.5
Service-producing	23,300	24,300	4.3	24,900	2.5	25,425	2.1
Transportation	1,800	1,900	5.6	1,950	2.6	1,975	1.3
Trade	5,700	5,900	3.5	6,000	1.7	6,125	2.1
Wholesale Trade	700	700	0.0	725	3.6	750	3.4
Retail Trade	5,000	5,150	3.0	5,275	2.4	5,375	1.9
Finance-Ins. & Real Estate	850	850	0.0	875	2.9	875	0.0
Services & Misc.	5,800	5,950	2.6	6,150	3.4	6,300	2.4
Government	9,150	9,700	6.0	9,925	2.3	10,150	2.3
Federal	2,850	3,100	8.3	3,150	1.6	3,250	3.2
State	3,850	4,050	5.2	4,150	2.5	4,250	2.4
Local	2,550	2,550	0.0	2,625	2.9	2,650	1.0

Totals may not add due to rounding.

Source: Alaska Department of Labor, Research & Analysis Section

Pipeline Repairs Create Construction Jobs

Major repair work on the Trans-Alaska oil pipeline got underway in 1989. Fairbanks is serving as headquarters for work crews on the northern section of the pipeline. An increased effort is scheduled for '90 and '91; ongoing tests will determine if even more repair work is needed than already scheduled. This project could add significantly to Fairbanks' construction employment for the next several years.

Hotel, Road Building Add to Construction Sector

Several road projects will add to public sector construction activity in Fairbanks. The Alaska Department of Transportation and Public Facilities estimates that 1990's budget will be double that of 1989 for Fairbanks road work, and spending in 1991 should be similar to this year's.

In the private sector, one large construction project is tentatively scheduled for Fairbanks. Princess Tours plans to build a $10 million, 200 room hotel during 1990 and 1991. The project hinges on arranging a lease for land owned by the Alaska Railroad.

New Projects May Boost Tourism

A large new hotel in Fairbanks would provide many construction jobs in the next two years, and then give the tourism industry a boost after completion. Another project which could help tourism is in the planning stages. The Fairbanks Historic Preservation Foundation wants to acquire a gold company's abandoned buildings and turn them, along with their contents of gold mining paraphernalia, into a museum.

Tour operators are expecting the 1990 season to be as good or better than 1989's, and the 1989 tourist season was good in spite of fears that the oil spill would keep tourists away. As elsewhere in the state, tourism is expected to only move in one direction — upwards.

More Soldiers and Dependents Factor In Employment Growth

A significant factor contributing to Fairbanks' growth in 1989 was the increased number of military and their families. They created additional demand for goods and services at local businesses, and helped to ease the surplus in Fairbanks' housing market.

The 6th Light Infantry Division at Fort Wainwright will add close to 1,000 people (uniformed personnel and their dependents) over the next two years to reach full strength. These new residents will add demand for local goods and services, giving an upward push to employment in the trade and services sectors.

Slow Turnaround for Finance-Insurance & Real Estate

Although property tax assessments fell in the North Star Borough for the fourth year in a row, things are not as grim as this indicator makes it seem. The average asking price for most types of housing has begun to turn around after a three year slide.

That is not to say, however, that real estate is appreciating rapidly. In fact, some housing stock is still decreasing in value. In addition, surplus real estate, including some owned by financial institutions, has yet to enter the market. Some units may be demolished, but others will eventually go up for sale. The influx of military personnel won't absorb much of the excess real estate; the two new military housing projects should accommodate all the incoming soldiers and dependents for the next two years. Fairbanks real estate may have hit bottom, but it is still bumping along that bottom.

On the financial side of this industry, bank and credit union employment is rebounding somewhat. By all accounts the shakeout of financial institutions associated with the latest recession is over. The finance-insurance and real estate industry held its own in 1989 and may gain a tiny number of jobs in 1990 and 1991, but recovery in this industry will be slow.

Mixed News on the Retail Trade Front

Fairbanks retailers had a banner year in 1989. The $10.5 million paid to Fairbanks residents for oil spill cleanup work no doubt contributed to increased sales. But Fairbanks already lost a major retailer in 1990 when Nordstrom closed their doors in January. At the same time, Sears, Roebuck and Co. administrators are looking at building a new store. Whether or not a new retail store is built, jobs in the trade sector should continue to grow as the Fairbanks economy grows and the population increases.

Little Change Forecast for Transportation, Communications Industry

There's no dramatic change on the horizon for this industry. Employment in the communications sector has fallen slightly (and will continue to fall) as remote radar sites are further automated. These small declines should be more than offset by increases in other components of this industry. A growing population, expanding economy, and the need for transportation of pipeline repair equipment are all reasons to forecast an increase in jobs in this industry.

The big news in Fairbanks' transportation industry is the possibility of hosting a new air cargo route to Japan. If Emery's bid is successful, it would initially mean 16 round trip flights a week stopping in Fairbanks to be refueled while cargo with Alaska destinations is off-loaded. It would not mean a tremendous increase in employment, but would bring in several million dollars in new money and could lead to expansions in the future.

Bulging Classrooms Will Boost Local Government Employment

Local government employment is projected to grow in 1990 only because of additional jobs with the school district. School enrollment reached an all-time high in September 1989. As a result, classrooms bulged and teachers were forced to take on even more students than usual. For the 1990-91 school year, the budget will increase $4 million, allowing for an additional 90 jobs.

The City of Fairbanks, in light of well-publicized financial struggles, will do well if their employment only dips slightly. The City's 1990 budget is $3 million below last year's, and staffing cuts, mostly through attrition, are already being made. The Borough's budget is in better shape, with no major changes expected.

Slow Growth Predicted for Federal Jobs

Employment with the federal government jumped 8.8% in 1989. As new and expanded military facilities opened, civilian employment climbed. However, no further job increases of this magnitude are expected.

Army headquarters staff will relocate from Fort Richardson in Anchorage to Fort Wainwright in Fairbanks in the summer of 1990. This means a move for 400 uniformed personnel, but no

increase in civilian employment is anticipated with the move. The number of full-time jobs with the Air National Guard has been on the rise and will increase slightly in both 1990 and 1991. Total federal government employment (civilian and other) should increase on an annual average basis by 50 in 1990 and 100 in 1991.

UAF Responsible for Some Employment Gains in State Government

On the education side of state employment, UAF's Poker Flat rocket range is slated for a three year, $30 million upgrade using federal funds. So far $10.8 million has been allocated for design of six new buildings and renovation of existing ones. Any construction (other than some road work) awaits federal funding. While this expansion translates into only a few full-time jobs, it may help offset the decrease in military construction activity for 1991. Healthy oil prices should allow for some increase in state employment both on the education and noneducation side.

Another Gold Rush for the '90s?

One of the most promising industries for future development and employment in the Fairbanks area is hard rock mining. Fairbanks Gold, Ltd. plans to double their budget in 1990 for exploration at the Fort Knox gold deposit. They would employ up to 80 seasonal workers. If this year's exploration justifies it, development could begin during this forecast's time frame.

Preliminary exploration at the Fort Knox deposit has already created spinoff exploratory work in other areas near Fairbanks. State officials estimate that total exploration dollars for the Fairbanks region increased from $6.3 million in 1988 to about $9 million in 1989. That figure should reach $12-13 million in 1990. Hard rock mining is already boosting employment in northern and southeast Alaska, and Fairbanks could follow suit in the near future.

Conclusion: Healthy Economy in Fairbanks' Future

Many factors are contributing to a rosy outlook for Fairbanks' economy. Construction projects are one factor, including pipeline repairs, military and road work; new stores and/or tourist facilities may also be built.

The military population continues to grow, along with some increase on the civilian side. Retailers are looking forward to increased sales in 1990 after setting records in 1989. Even the real estate industry showed signs that its slide has hit bottom, if not turned around.

The air transportation industry is trying to win a new cargo route to the Orient, and all three government sectors (federal, state and local) are slated to grow. Hard rock mining looks the most promising of all for future growth.

A moderate growth rate of 3% is forecast for Fairbanks in 1990, and 1.1% the following year. Although a far cry from the growth Fairbanks experienced in the early 1980s, a slower, steadier growth might be more welcome than an unchecked boom.

About the author:

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Southeast to Maintain Steady Growth

by Brian N. Rae

Last year, this author projected 1989 to be a year of very moderate growth for the Southeast economy, with employment increasing about 1%. Others held different opinions, most believing employment would at best hold even with its 1988 levels. The fact that the Southeast economy posted a 4.4% increase in employment demonstrates its underlying strengths, which will continue to bolster the region's economy during this two year forecast period.

The Southeast economy is projected to post annual employment gains of around 3.5% for 1990 and 1991. Part of these gains can be directly attributed to the strength of certain industries in the area, the rest to the continuing diversification and maturation of the Southeast economy.

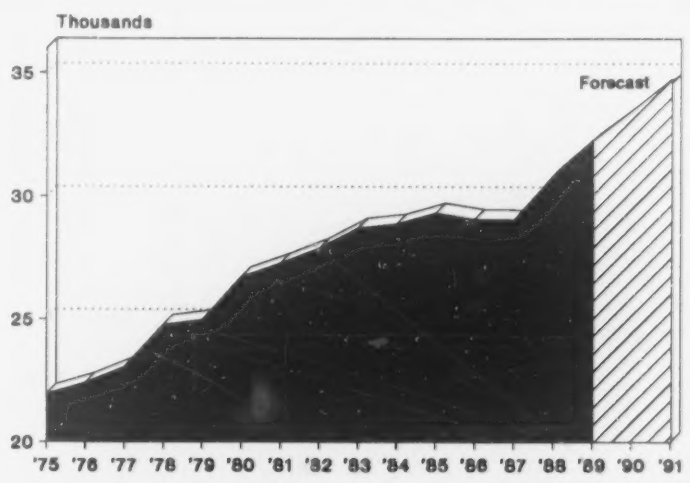
All Sectors Healthy — But Some Healthier Than Others

Southeast's economy has been see-sawing in its growth over the past several years, with the goods-producing industries growing while the service-producing industries floundered and vice versa. This occurred in the first half of the 1980s, with declines in the weak timber and seafood markets being offset by increased employment in the service-producing industries. The trends reversed in the latter half of the decade, with increased demand leading to a resurgence in activities in the goods-producing industries, while the decline in oil revenues hurt the service-producing industries.

These same types of relationships are forecast for the region over the next two years. While both goods- and service-producing sectors will show increases, most of the gains will be fueled by growth in the goods-producing sector, causing secondary increases in certain service-producing industries.

Figure 1

Southeast Alaska Annual Average Nonag. Wage and Salary Employment 1975-1991



Source: Alaska Department of Labor, Research and Analysis Section

Goods-producing Industries Provide Short Term Strength for Region

During 1989, the service-producing industries played catch-up while growth in the goods-producing industries slowed. For the two year forecast period, the goods-producing sector should again lead in growth. However, this growth is not projected to be evenly distributed among the various industries. Both seafood processing and timber, strong

Table 1

Southeast Alaska
Nonag. Wage & Salary Employment Forecast
1990-1991

	1988 Annual Average	1989 Annual Average	Percent Change 1988-1989	1990 Annual Average	Percent Change 1989-1990	1991 Annual Average	Percent Change 1990-1991
Total Nonag. Wage & Salary	30,850	32,200	4.4%	33,375	3.6%	34,475	3.3%
Goods-producing	6,400	6,500	1.6	6,825	5.0	7,125	4.4
Mining	200	300	50.0	375	25.0	500	33.3
Construction	1,050	1,100	4.8	1,225	11.4	1,475	20.4
Manufacturing	5,150	5,150	0.0	5,275	2.4	5,200	-1.4
Durable Goods	2,650	2,700	1.9	2,750	1.9	2,675	-2.7
Lumber & Wood Products	2,550	2,550	0.0	2,550	0.0	2,450	-3.9
Nondurable Goods	2,450	2,400	-2.0	2,475	3.1	2,475	0.0
Seafood Processing	1,400	1,300	-7.1	1,350	3.8	1,350	0.0
Pulp Mills	900	950	5.6	950	0.0	950	0.0
Service-producing	24,500	25,700	4.9	26,550	3.3	27,350	3.0
Trans., Communications & Utilities	2,250	2,350	4.4	2,450	4.3	2,600	6.1
Trade	4,850	5,200	7.2	5,375	3.4	5,600	4.2
Wholesale	450	550	22.2	575	4.5	600	4.3
Retail	4,400	4,600	4.5	4,750	3.3	4,950	4.2
Finance, Insurance & Real Estate	1,000	1,050	5.0	1,100	4.8	1,150	4.5
Services & Miscellaneous	4,950	5,150	4.0	5,400	4.9	5,600	3.7
Government	11,450	12,000	4.8	12,275	2.3	12,450	1.4
Federal	1,950	2,050	5.1	2,100	2.4	2,100	0.0
State	5,150	5,450	5.8	5,550	1.8	5,600	0.9
Local	4,350	4,450	2.3	4,575	2.8	4,700	2.7

Totals may not add due to rounding.

Source: Alaska Department of Labor, Research & Analysis Section

performers over the past several years, are expected to hold about even in employment.

Last year was a down year for seafood processing employment, with employment declining over 7% or 100 jobs on an annual average basis. In perspective, 1988 was a record year for seafood employment, so declines were expected. Early indicators show 1990 employment levels might increase slightly in comparison to last year, then stabilize in 1991.

Southeast timber employment is forecast to remain nearly flat during the forecast period. Employment during the last two years has been at near maximum levels, with many companies unable to find employees with the necessary skills. For this reason, employment gains seem unlikely. The final version of Tongass timber legislation is still not known. It is assumed that, no matter what the long range impacts of the final legislation, it will not directly affect any industry's employment during the two year forecast period.

Mining and Construction Big Gainers

The newest "big" player in the goods-producing sector is the smallest industry in Southeast. Mining accounted for less than 1% of total Southeast employment in 1989, even though it posted an employment gain of more than 50% compared to the previous year. Mining activities, particularly in the exploration and development stages, impact many different industries.

The development of the Greens Creek mine on Admiralty Island provided an example of how such projects affect local economies. The transportation, construction, trade, and service industries all saw economic gains from the Greens Creek project. Similar scenarios should unfold with development of other mines, such as the Kensington and the Jualin in Southeast and the Johnny Mountain and Windy Craggy mines in Canada.

Exploration activity continues to increase, with the potential for several new mines being established in Southeast. However, most mining ventures require several years before they actually begin operations. Over the next two years, mining will continue its strong growth, but its most important effects will be felt in other industries.

The other goods-producing industry, construction, will likely see increasing activity through the development of new mines in Southeast. Projects like the Kensington mine north of Juneau are already employing construction workers. As such ventures move from the exploration into the development stage, larger construction crews will be put to work. Slowly, construction workers will be replaced with miners as mining operations begin.

Increased mining activities are not the only reason construction employment will rise. The market for residential and commercial properties has strengthened considerably over the last year. Many areas in Southeast are experiencing housing shortages. Housing projects of a scale not seen in several years are planned for Juneau, Ketchikan, and Haines.

While certain large construction projects ended in 1989, it appears that others will come on-line during the forecast period which will more than compensate for any declines in employment. Ketchikan is seeing several major projects, such as the Cape Fox/Westmark hotel venture currently under construction and renovation of the high school. Juneau projects include a new school, a new building to house the Department of Environmental Conservation and a new office complex to temporarily hold federal offices displaced during the removal of asbestos at the Juneau Federal Building.

Strengthening housing markets should also help the construction industry. Housing prices throughout Southeast have seen increases, particularly in those areas hardest hit by the recent recession. Juneau's housing prices were increasing by 1% per month in 1989 according to local realtors.

A tight housing market and speculation on the impacts of the Windy Craggy mine on Haines' economy are bringing about new construction activities. Infrastructure supporting the mine, including docks and road improvements, will be built over the next several years. Of more immediate importance is the newest residential construction boomlet occurring in Haines. The mine's preliminary socioeconomic impact study projects over 150 new jobs in Haines from the mining operations. This, in combination with the area's currently tight housing market, is leading to renewed interest in residential construction.

Service-producing Industries

The service-producing industries should post significant employment gains over the forecast period. However, following 1989's gain of 4.9%, the projected increase of 3.3% per year might seem small. This represents 850 new jobs in the Southeast economy each year.

Mining and Logging Activity Will Spur Transportation Growth

Of the service-producing industries, transportation, communications, and utilities (TCU) should show the greatest percentage gains over the forecast period. Much of this growth will be directly related to mining activities in the region, transporting supplies and construction materials into the mine sites. This industry will also see growth from activities occurring across the border. The Wrangell area has already seen increased activities in TCU brought about by the Johnny Mountain mine in British Columbia. Developmental work at other mines should continue this trend throughout Southeast.

The other key variable in transportation employment is tourist traffic. Early indications are that 1990 will be another good year, with some increase in cruise ship traffic throughout Southeast. The outstanding issue in Southeast tourism is, oddly enough, Eastern Europe. There are some concerns that cruise ship clientele currently visiting Alaska might be diverted to the rapidly opening Europe, where many trace their genealogical roots. With the continuing instability of many European countries, there should be little impact in 1990. As these countries stabilize and offer the amenities demanded by American travelers, however, they may attract a significant share of potential Alaskan tourists.

Trade and Services Ride the Tide of a Growing Economy

The other service-producing industries are less directly linked to the goods-producing industries, usually relying more on the health of the overall economy in an area than the health of one particular industry. This may be an academic point in small communities which rely on one major industry, but for areas with more economic diversity the service-producing industries can ride the tide of the overall economy.

Trade serves as a good example. Last year 350 additional jobs were created in trade in Southeast. Some of this increase occurred in stores which supply specific industries. However, most of the increase occurred through expansion of existing establishments supplying the people in a community. Increasing populations, incomes, and confidence in the future led to more money being spent and an increase in trade.

Both trade and services should remain strong during the forecast period. Although trade will not keep up with its 1989 growth rate, there should be about 400 new jobs created in this industry by the end of 1991. Some of this growth can be attributed to certain activities such as mining, but a large portion will occur because of restored confidence in the state's economy. This should boost employment even in those areas removed from any mining activity.

The services industry will continue at about the same rate of growth as 1989, averaging 225 new jobs per year over the forecast period. Services employment in Southeast is nearly the same size as trade, and will grow for much the same reasons. Though some new firms may be created or expanded in response to specific new projects, most of the employment gains will be the result of more people and more money in Southeast. Unlike trade, the service industries might have room for accelerated growth in 1990 before slowing in 1991.

Good Real Estate Markets, Restructuring Strengthen FIRE

The remaining private sector employer, the finance-insurance and real estate industry (FIRE), has lived through some rough times over the last several years. Last year saw a small increase in employment, and 1990 and 1991 should continue along the same course. Those financial institutions that remain seem, for the most part, healthy. Concern over losses incurred by some

credit unions continues, but none of the current institutions are expected to reduce their workforce or close their doors in the next two years. There is some speculation that certain financial institutions will actually expand in the next several months.

On the real estate side of FIRE, the housing market has firmed up significantly. Unfortunately for the realtors, the market is strong but there seems to be a shortage of houses for them to sell. The market is now so strong that some condominiums and trailers, the two types of housing hardest hit in the recession, are staging a comeback and are again beginning to sell.

Public Sector Growth Slower than Private

Public sector employment will also grow over the next two years, but at a much slower pace than the remainder of the economy. For 1990, federal government employment will be flat except in one area, census employees. These employees will be short term and, although there will be many of them, their inclusion will have little impact on the annual average employment levels. There should be little or no growth in 1991 as new hires only replace those hired to perform the census.

Projected state spending for fiscal year 1991 (July 1, 1990 through June 30, 1991) will maintain current employment levels, with some small gains possible. Recent revenue projections ease the worry of revenue shortfalls for the near future and reducing state services is particularly difficult without the threat of a budget deficit. With the elections of 1990 behind them and prospects of budget deficits looming closer on the horizon, legislators will face mounting pressures to reduce state spending. During 1991, state employment is projected to increase only fractionally.

Local government employment should increase at a more rapid pace than state government employment. There are pressures to reduce local government employment. However, as more responsibilities are transferred from the state to the localities local government employment will be pushed upward. In addition, some local revenues should be up as property values are beginning to increase.

Outlook: Continued, But Slightly Different, Growth

Southeast employment levels surprised most economists last year by posting impressive gains, and this upward trend should continue during the next two years. Growth will neither be quite as high as 1989's nor shared by the same industries.

During 1990 and 1991, the goods-producing industries should lead in growth, while service-producing industries will feel both direct and indirect impacts. In the goods-producing industries, mining and construction will show the strongest growth, although seafood and timber will continue to provide a larger share of the jobs and income in the region.

Transportation, communications, and utilities will be the service-producing industry with the greatest growth rate, mainly through its links with mining. The remaining private sector industries should show continued growth during the forecast period, with public sector employment lagging somewhat behind.

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February Posts Continued, But Slower, Growth

by Brian N. Rae

February 1990 had a somewhat dubious distinction in the state's recent economic history. For nearly three years, Alaska's unemployment rate had improved in comparison to the rate posted 12 months earlier. June 1987 marked the beginning of falling unemployment rates, but this February's rate of 8.8% equals that of February 1989, ending the downward trend. (See Figure 1.)

Although February ended the string of improved unemployment rates, it was clear that Alaska's unemployment rates could not fall forever. Alaska has traditionally had high unemployment rates, particularly in the winter. An 8.8% rate in February is no cause for alarm. Other indicators show the economy healthier than it has been over the past few years. (See Table 2.)

One such indicator is total wage and salary employment, which increased 10,600 over the last 12 months and 4,700 since January. (See Table 1.) Statewide employment gains are not limited to certain areas. Every region in the state showed employment increases when compared to February 1989.

Equally important is that all the major industries shared in this employment growth. Although some regions and some industries are healthier than others, there is growth across the entire economy.

Nearly Two Years of Employment Growth

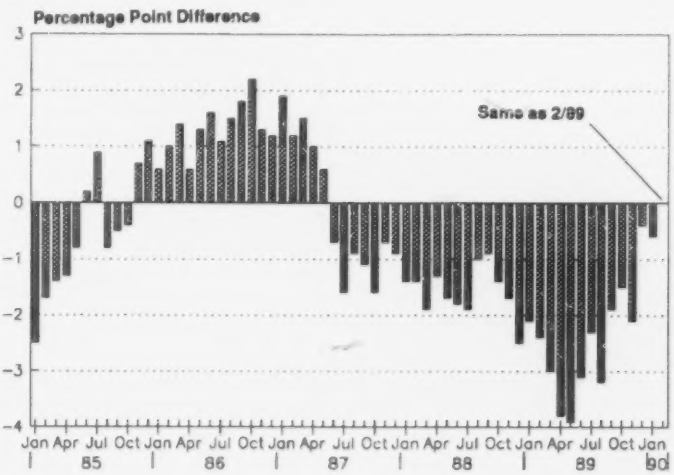
February's employment estimate is the twenty-first straight month with over the year employment gains. (See Figure 2.) Over the year employment increases are becoming smaller, and this trend will continue as future employment estimates are compared to year ago levels. This will happen because 1989 employment was boosted by the oil spill cleanup employment. With the small number of spill related workers employed in February, nearly all of the 10,000 additional employment can be attributed to factors other than the oil spill.

Overall Employment Up 5.1%

Each major industry in Alaska registered gains during the last 12 months. Only two industries are posting less than impressive levels of growth — manufacturing and finance-insurance and real estate (FIRE). Of

Figure 1

Unemployment Rate Changes Compared to Prior Year



Source: Alaska Department of Labor, Research and Analysis Section

Table 1

Nonagricultural Wage and Salary Employment By Place of Work — Alaska

	p/ 2/90	r/ 1/90	Changes from: 2/89	1/90	2/89
Total Nonag. Wage & Salary	217,700	213,000	207,100	4,700	10,600
Goods-producing	29,900	28,200	28,200	1,700	1,700
Mining	10,600	9,900	9,500	700	1,100
Construction	7,000	7,000	6,600	0	400
Manufacturing	12,300	11,300	12,100	1,000	200
Durable Goods	2,500	2,200	2,400	300	100
Lumber & Wood Products	1,800	1,500	1,800	300	0
Nondurable Goods	9,800	9,100	9,700	700	100
Seafood Processing	6,100	5,500	6,100	600	0
Pulp Mills	900	900	900	0	0
Service-producing	187,800	184,800	178,900	3,000	8,900
Transportation	18,000	17,900	16,400	100	1,600
Trucking & Warehousing	2,100	2,100	2,000	0	100
Water Transportation	1,100	1,000	1,000	100	100
Air Transportation	6,000	6,200	5,300	-200	700
Communications	3,200	3,200	3,100	0	100
Trade	42,200	42,400	40,200	-200	2,000
Wholesale Trade	7,800	7,800	7,200	0	600
Retail Trade	34,400	34,600	33,000	-200	1,400
Gen. Merch. & Apparel	5,100	5,300	4,800	-200	300
Food Stores	6,400	6,500	5,900	-100	500
Eating & Drinking Places	11,800	11,700	11,800	100	0
Finance-Ins. & Real Estate	10,500	10,400	10,400	100	100
Services & Misc.	46,100	45,700	43,500	400	2,600
Hotels & Lodging Places	4,300	4,300	4,000	0	300
Government	71,000	68,400	68,400	2,600	2,600
Federal	18,400	18,400	17,500	0	900
State	21,400	19,700	20,700	1,700	700
Local	31,200	30,300	30,200	900	1,000

Notes: Prepared in cooperation with the U.S. Bureau of Labor Statistics.

Government includes teachers in primary and secondary schools, and personnel employed by the University of Alaska.

The employment numbers that appear above are definitionally different from those that appear in the Labor Force table.

Benchmark date: March 1989

p/ denotes preliminary estimates r/ denotes revised estimates

Source: Alaska Department of Labor, Research & Analysis Section

these two, FIRE is the only one with real problems. Over the past several years, this industry has been rocked by the failures of many financial institutions and by a weakening in the real estate market. Most of these problems seem to have run their course, and the over the year increase helps confirm this.

The over the year drop in manufacturing employment is not as bad as it might first appear. Employment levels were fairly high in manufacturing last February and a large employment gain was not expected. February levels might have been higher, but some processors were running below capacity because of an early pollock fishery closure. The other major component of manufacturing, the timber industry, has been strong since 1988. There is little room for increased employment in Southeast, the industry stronghold. However, expansion into the Kenai Peninsula and Interior Alaska helped keep employment steady over the year and gaining over the month.

All other private sector industries posted at least 5% employment gains over the year, with mining leading the pack at nearly 12%. The startup of the Red Dog mine and continued expansion at the Greens Creek mine have boosted hard rock mining employment from levels of a year ago. Most of the gains, however, occurred in the areas of oil field services with increasing activities in the Northern region.

Transportation, communications and utilities (TCU) employment was the other big gainer for the year. Of these diverse industries, air transportation and utilities showed the largest gains. While the Mt. Redoubt volcano had some effect on transportation employment, the problems caused by its eruption extended to other industries.

Several major carriers announced their intention to cancel many flights through Anchorage, opting instead for the more direct overflight of the Soviet Union. Japan Airlines announced a long term

reduction from 17 flights per week to 4. Korean Airlines plans reductions of about 16% in its lucrative international passenger travel through Anchorage.

Over the year transportation employment increased in large part due to the Federal Express cargo handling facility. Other air freight firms are considering basing cargo handling facilities in Alaska in the near future. This should keep the air transportation industry healthy, even with reduced passenger flights passing through Alaska.

TCU has been under increased scrutiny over the past year, since this industry employed the bulk of oil spill cleanup workers. However, the spill did not influence employment until April 1989. The February data presented here compares the somewhat inflated industry employment with pre-spill data. The near 10% gain, or 1,600 new workers, cannot be accounted for solely by the spill, indicating underlying growth in the industry.

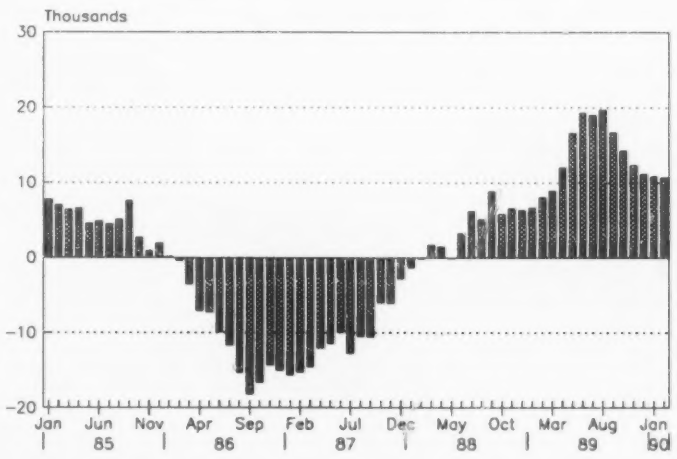
The services industry remained healthy, increasing its employment by 2,600 over the year and 400 for the month. Most of the gains, however, were occurring in the Anchorage/MatSu and Southeast regions and are not seen in other areas of the state.

Government employment contributed more than half of the over the month gain in total employment. This rise in government employment can be attributed to one area — education. Teachers in local school districts and the University system were on the jobs in January, but many temporary, part time and student employees were not on the payrolls until February.

Over the year, government employment showed increases at all three levels — federal, state and local. All of the federal gains occurred outside of the military. State and local employment gains were split between education and noneducation, with 55% accounted for by educational positions.

Figure 2

Employment Changes Compared to Prior Year



Source: Alaska Department of Labor, Research and Analysis Section

Trade employment was, not unexpectedly, down from its January levels. The December/January period saw higher employment levels for the Christmas season and for inventory work. Over the year, trade posted nearly a 5% increase in employment.

Anchorage Continuing to Grow

The Anchorage area is again claiming a leadership role in Alaska's economic gains. Growth as measured on a percentage basis is still behind several other areas in Alaska. Still, the total number of jobs being added shows that

(continue on page 22)

Table 2

Nonagricultural Wage and Salary Employment By Place of Work

Municipality of Anchorage

	p/ 2/90	r/ 1/90	Changes from: 2/89	1/90	2/89
Total Nonag. Wage & Salary	103,850	102,750	99,300	1,100	4,550
Goods-producing	9,050	8,800	8,750	250	300
Mining	3,700	3,500	3,550	200	150
Construction	3,450	3,400	3,400	50	50
Manufacturing	1,900	1,900	1,800	0	100
Service-producing	94,800	93,950	90,550	850	4,250
Transportation	9,950	9,850	8,800	100	1,150
Trucking & Warehousing	1,300	1,300	1,200	0	100
Water Transportation	250	200	200	50	50
Air Transportation	3,800	3,800	3,300	0	500
Communications	1,900	1,850	1,750	50	150
Trade	25,000	25,150	23,850	-150	1,150
Wholesale Trade	5,800	5,850	5,500	-50	300
Retail Trade	19,200	19,300	18,350	-100	850
Gen. Merch. & Apparel	2,650	2,750	2,450	-100	200
Food Stores	3,150	3,200	2,900	-50	250
Eating & Drinking Places	7,400	7,350	7,300	50	100
Finance-Ins. & Real Estate	6,850	6,800	6,950	50	-100
Services & Misc.	26,650	26,350	25,000	300	1,650
Hotels & Lodging Places	2,300	2,400	2,150	-100	150
Government	26,350	25,800	25,950	550	400
Federal	10,050	10,250	10,100	-200	-50
State	7,800	7,100	7,350	700	450
Local	8,500	8,450	8,500	50	0

Fairbanks North Star Borough

	p/ 2/90	r/ 1/90	Changes from: 2/89	1/90	2/89
Total Nonag. Wage & Salary	25,300	24,800	24,150	500	1,150
Goods-producing	1,800	1,750	1,600	50	200
Mining	150	100	100	50	50
Construction	1,150	1,150	1,050	0	100
Manufacturing	500	500	450	0	50
Service-producing	23,500	23,050	22,550	450	950
Transportation	1,800	1,750	1,650	50	150
Trucking & Warehousing	450	450	400	0	50
Air Transportation	350	350	300	0	50
Communications	250	250	300	0	-50
Trade	5,200	5,400	5,050	-200	150
Wholesale Trade	650	700	650	-50	0
Retail Trade	4,550	4,700	4,400	-150	150
Gen. Merch. & Apparel	500	600	600	-100	-100
Food Stores	750	750	700	0	50
Eating & Drinking Places	1,600	1,600	1,600	0	0
Finance-Ins. & Real Estate	850	850	750	0	100
Services & Misc.	5,650	5,650	5,450	0	200
Government	10,000	9,400	9,650	600	350
Federal	3,050	3,050	2,900	0	150
State	4,300	3,750	4,150	550	150
Local	2,650	2,600	2,600	50	50

Anchorage-MatSu Region

	p/ 2/90	r/ 1/90	Changes from: 2/89	1/90	2/89
Total Nonag. Wage & Salary	110,750	109,350	105,650	1,400	5,100
Goods-producing	9,350	9,000	9,100	350	250
Mining	3,750	3,500	3,700	250	50
Construction	3,650	3,550	3,550	100	100
Manufacturing	1,950	1,950	1,850	0	100
Service-producing	101,400	100,350	96,550	1,050	4,850
Transportation	10,600	10,500	9,450	100	1,150
Trade	26,750	26,900	25,300	-150	1,450
Finance-Ins. & Real Estate	7,300	7,200	7,350	100	-50
Services & Misc.	27,900	27,550	26,150	350	1,750
Government	28,850	28,200	28,300	650	550
Federal	10,150	10,350	10,200	-200	-50
State	8,600	7,850	8,150	750	450
Local	10,100	10,000	9,950	100	150

Interior Region

	p/ 2/90	r/ 1/90	Changes from: 2/89	1/90	2/89
Total Nonag. Wage & Salary	29,000	28,500	27,700	500	1,300
Goods-producing	1,900	1,950	1,850	-50	50
Mining	250	250	250	0	0
Construction	1,150	1,200	1,100	-50	50
Manufacturing	500	500	500	0	0
Service-producing	27,100	26,550	25,850	550	1,250
Transportation	2,000	1,950	1,850	50	150
Trade	5,600	5,750	5,400	-150	200
Finance-Ins. & Real Estate	950	950	850	0	100
Services	6,050	6,050	5,850	0	200
Government	12,500	11,850	11,900	650	600
Federal	3,600	3,600	3,450	0	150
State	4,550	3,950	4,400	600	150
Local	4,350	4,300	4,050	50	300

Notes: Government includes teachers in primary and secondary schools, and personnel employed by the University of Alaska.

The employment numbers that appear above are definitionally different from those that appear in the Labor Force table.

Benchmark date: March 1989 p/ denotes preliminary estimates r/ denotes revised estimates

(cont. on page 21)

Source: Alaska Department of Labor, Research & Analysis Section

Nonagricultural Wage and Salary Employment By Place of Work

Southeast Region

	p/ 2/90	r/ 1/90	Changes from: 2/89	1/90	2/89
Total Nonag. Wage & Salary	29,600	29,200	28,500	400	1,100
Goods-producing	4,550	4,350	4,300	200	250
Mining	300	300	250	0	50
Construction	750	800	700	-50	50
Manufacturing	3,500	3,250	3,350	250	150
Durable Goods	1,650	1,400	1,700	250	-50
Lumber & Wood Products	1,500	1,250	1,550	250	-50
Nondurable Goods	1,850	1,850	1,650	0	200
Seafood Processing	800	750	550	50	250
Pulp Mills	900	900	900	0	0
Service-producing	25,050	24,850	24,200	200	850
Transportation	2,000	2,050	2,000	-50	0
Trade	4,900	4,900	4,650	0	250
Wholesale Trade	650	650	450	0	200
Retail Trade	4,250	4,250	4,200	0	50
Finance-Ins. & Real Estate	1,000	1,050	1,000	-50	0
Services & Misc.	4,950	4,900	4,700	50	250
Government	12,200	11,950	11,850	250	350
Federal	2,000	2,000	1,850	0	150
State	5,550	5,400	5,450	150	100
Local	4,650	4,550	4,550	100	100

Gulf Coast Region

	p/ 2/90	r/ 1/90	Changes from: 2/89	1/90	2/89
Total Nonag. Wage & Salary	19,400	19,450	18,500	-50	900
Goods-producing	4,150	4,200	4,100	-50	50
Mining	850	850	750	0	100
Construction	800	800	750	0	50
Manufacturing	2,500	2,550	2,600	-50	-100
Seafood Processing	1,550	1,600	1,800	-50	-250
Service-producing	15,250	15,250	14,400	0	850
Transportation	1,450	1,500	1,500	-50	-50
Trade	3,250	3,300	3,000	-50	250
Wholesale Trade	450	450	400	0	50
Retail Trade	2,800	2,850	2,600	-50	200
Finance-Ins. & Real Estate	500	550	500	-50	0
Services & Misc.	3,800	3,850	3,600	-50	200
Government	6,250	6,050	5,800	200	450
Federal	500	500	500	0	0
State	1,900	1,700	1,750	200	150
Local	3,850	3,850	3,550	0	300

Northern Region

	p/ 2/90	r/ 1/90	Changes from: 2/89	1/90	2/89
Total Nonag. Wage & Salary	14,100	13,450	12,750	650	1,350
Goods-producing	5,850	5,400	4,900	450	950
Mining	5,450	5,050	4,550	400	900
Service-producing	8,250	8,050	7,850	200	400
Government	4,500	4,350	4,300	150	200
Federal	250	250	250	0	0
State	350	350	350	0	0
Local	3,900	3,750	3,700	150	200

Southwest Region

	p/ 2/90	r/ 1/90	Changes from: 2/89	1/90	2/89
Total Nonag. Wage & Salary	14,550	13,500	14,050	1,050	500
Goods-producing	4,050	3,250	4,000	800	50
Seafood Processing	3,750	3,000	3,750	750	0
Service-producing	10,500	10,250	10,050	250	450
Government	6,450	6,150	6,250	300	200
Federal	1,350	1,350	1,300	0	50
State	550	500	550	50	0
Local	4,550	4,300	4,400	250	150

Notes: Government includes teachers in primary and secondary schools, and personnel employed by the University of Alaska.

The employment numbers that appear above are definitionally different from those that appear in the Labor Force table.

Benchmark date: March 1989 p/ denotes preliminary estimates r/ denotes revised estimates

Source: Alaska Department of Labor, Research & Analysis Section

Table 3

Alaska Hours and Earnings for Selected Industries [1/2]

	Average Weekly Earnings			Average Weekly Hours			Average Hourly Earnings		
	p/ 2/90	r/ 1/90	2/89	p/ 2/90	r/ 1/90	2/89	p/ 2/90	r/ 1/90	2/89
Mining	$1,035.54	$1,032.64	$1,081.78	48.8	44.8	49.6	$21.22	$23.05	$21.81
Construction	1,044.44	969.17	896.80	43.5	41.4	40.0	24.01	23.41	22.42
Manufacturing	516.91	504.57	533.83	42.3	41.7	50.6	12.22	12.10	10.55
Seafood Processing	394.94	410.03	475.97	46.3	46.7	59.2	8.53	8.78	8.04
Trans., Comm. & Utilities	615.96	595.58	568.97	35.4	35.2	35.1	17.40	16.92	16.21
Trade	390.77	388.02	369.27	33.6	33.8	33.0	11.63	11.48	11.19
Wholesale	562.18	540.74	512.26	38.4	38.0	38.4	14.64	14.23	13.34
Retail	331.44	336.64	323.33	31.9	32.4	31.3	10.39	10.39	10.33
Finance-Ins. & R.E	421.29	398.70	392.76	36.1	34.4	33.8	11.67	11.59	11.62

Notes: p/ denotes preliminary estimates r/ denotes revised estimates Benchmark: March 1989

1/ Prepared in cooperation with the Bureau of Labor Statistics, U.S. Department of Labor.

2/ Retail Trade excludes eating and drinking establishments.

Averages are based on data for full- and part-time production workers (manufacturing) and nonsupervisory workers (nonmanufacturing) and are for gross earnings and hours paid, including overtime pay and hours.

Source: Alaska Department of Labor, Research & Analysis Section

the region has shaken off its recessionary slide.

Trade and services remain two of the healthiest industries in Anchorage. Their percentage gains do not equal those of TCU, but the 2,800 additional jobs for the year were spread over a much larger number of firms, and not attributable to any one or two specific events. This broad-based growth in two industries which rely heavily on consumers' confidence serves as a good barometer of Anchorage's economic future.

TCU employment showed strong gains in Anchorage over the year, with two events creating the many new jobs. The Federal Express facility is responsible for the majority of over the year gains. United Parcel Service is looking to locate its own facility in Anchorage, but the recent eruptions of Redoubt might affect this decision. Increased traffic at the Port of Anchorage provided another boost to TCU employment, with the major stevedoring operations reporting increased employment levels compared to January.

Southeast No Longer Growth Leader

While Southeast led the state out of the recession, it now trails behind every region except Southwest Alaska in the rate of employment growth. This is neither unexpected nor a sign of impending disaster. February's employment is being compared to the healthy levels of last year, while other regions are just now beginning their own strong growth.

No industry in Southeast was in danger in February. Many continued to post sustainable levels of employment growth, and those that did not were still strong. The region's economic future is very much up in the air with proposed changes in the Tongass timber management plans. For the time being, however, the economy continues on a healthy and sustainable pattern of growth.

Northern Region — Mining's Back

With over a 10% gain, the Northern region is by far the leader in over the year employment growth. Not surprisingly, most of this gain can be attributed to mining, both oil and gas and the newest player, hard rock. The majority of the gain is in the oil and gas mining industry, reflecting increased activities on the North Slope. Combined with employment from the new Red Dog mine, the industry employment increased by 20% for the year and accounted for two-thirds of the region's over the year growth.

Conclusion

February is normally a transition month, post holiday rush but prior to the seasonal employment increases endemic in Alaska. This February marks the end of the unemployment rate declining from levels of the previous year, a not unexpected event. Still, employment gains are healthy, with every region posting gains compared to 1989 levels, and there are no indications of a weakening economy.

About the author:

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Table 4

Labor Force By Region and Census Area

	Labor Force			Unemployment			Rate			Employment		
	p/ 2/90	r/ 1/90	2/89	p/ 2/90	r/ 1/90	2/89	p/ 2/90	r/ 1/90	2/89	p/ 2/90	r/ 1/90	2/89
Alaska Statewide	253,410	250,897	244,521	22,274	21,459	21,578	8.8%	8.6%	8.8%	231,136	229,438	222,943
Anch.-MatSu Region	132,570	132,191	128,093	9,338	9,353	9,112	7.0	7.1	7.1	123,232	122,838	118,981
Anchorage Borough	116,604	116,431	113,278	6,863	6,925	6,898	5.9	5.9	6.1	109,741	109,506	106,380
MatSu Borough	15,966	15,760	14,815	2,475	2,428	2,214	15.5	15.4	14.9	13,491	13,332	12,601
Gulf Coast Region	27,846	27,605	25,859	4,134	3,689	3,222	14.8	13.4	12.5	23,712	23,916	22,637
Kenai Peninsula Borough	17,287	17,276	16,237	2,818	2,682	2,424	16.3	15.5	14.9	14,469	14,594	13,813
Kodiak Island Borough	6,139	5,995	5,597	529	336	241	8.6	5.6	4.3	5,610	5,659	5,356
Valdez-Cordova	4,420	4,334	4,025	787	671	557	17.8	15.5	13.8	3,633	3,663	3,468
Interior Region	35,765	35,420	34,900	3,871	3,833	4,184	10.8	10.8	12.0	31,894	31,587	30,716
Fairbanks North Star Bor.	30,715	30,415	29,923	3,060	3,026	3,290	10.0	9.9	11.0	27,655	27,389	26,633
Southeast Fairbanks	2,133	2,083	2,058	366	333	356	17.2	16.0	17.3	1,767	1,750	1,702
Yukon-Koyukuk	2,917	2,922	2,919	445	474	538	15.3	16.2	18.4	2,472	2,448	2,381
Northern Region	8,640	8,356	8,147	709	704	748	8.2	8.4	9.2	7,931	7,652	7,399
Nome	3,222	3,098	3,033	321	299	327	10.0	9.7	10.8	2,901	2,799	2,706
North Slope Borough	3,119	3,035	2,980	119	141	181	3.8	4.6	6.1	3,000	2,894	2,799
Northwest Arctic Borough	2,299	2,223	2,134	269	264	240	11.7	11.9	11.2	2,030	1,959	1,894
Southeast Region	35,228	34,686	34,256	3,609	3,266	3,548	10.2	9.4	10.4	31,619	31,420	30,708
Haines Borough	847	856	836	95	109	106	11.2	12.7	12.7	752	747	730
Juneau Borough	15,220	15,056	14,763	921	847	876	6.1	5.6	5.9	14,299	14,209	13,887
Ketchikan Gateway Bor.	6,743	6,555	6,416	884	732	725	13.1	11.2	11.3	5,859	5,823	5,691
Pr. of Wales-Outer Ketch.	2,796	2,787	2,814	464	470	549	16.6	16.9	19.5	2,332	2,317	2,265
Sitka Borough	4,031	3,958	3,942	306	257	325	7.6	6.5	8.2	3,725	3,701	3,617
Skagway-Yakutat-Angoon	1,866	1,821	1,850	410	374	436	22.0	20.5	23.6	1,456	1,447	1,414
Wrangell-Petersburg	3,725	3,653	3,635	529	477	531	14.2	13.1	14.6	3,196	3,176	3,104
Southwest Region	13,361	12,639	13,266	613	614	764	4.6	4.9	5.8	12,748	12,025	12,502
Aleutians East Borough	943	899	930	10	19	15	1.1	2.1	1.6	933	880	915
Aleutians West	2,648	2,500	2,596	34	34	32	1.3	1.4	1.2	2,614	2,466	2,564
Bethel	5,068	4,802	5,076	236	244	337	4.7	5.1	6.6	4,832	4,558	4,739
Bristol Bay Borough	525	490	531	32	25	48	6.1	5.1	9.0	493	465	483
Dillingham	2,478	2,338	2,435	170	160	171	6.9	6.8	7.0	2,308	2,178	2,264
Wade Hampton	1,699	1,610	1,698	131	132	161	7.7	8.2	9.5	1,568	1,478	1,537

Notes: p/ denotes preliminary estimates r/ denotes revised estimates Benchmark: 1989

- Federal guidelines require the use of unrounded labor force data, adjusted to be consistent with the Current Population Survey in formulas used to allocate federal funds.
- Comparisons between different time periods are not as meaningful as other time series published by the Alaska Department of Labor.
- The official definition of unemployment currently in place excludes anyone who has made no attempt to find work in the four-week period up to and including the week that includes the 12th of each month. Most Alaska economists believe that Alaska's rural localities have proportionately more of these discouraged workers.
- The employment numbers that appear above are definitionally different from those that appear in the Nonagricultural Wage & Salary Employment tables.

Source: Alaska Department of Labor, Research & Analysis Section.

Alaska Economic Regions

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ALASKA DEPARTMENT OF LABOR
EMPLOYMENT SECURITY DIVISION
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JUNEAU, ALASKA 99802

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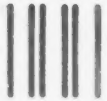

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